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TRADE AND DEVELOPMENT BOARD

COMMISSION ON INVESTMENT, TECHNOLOGY AND RELATED FINANCIAL ISSUES
Expert Meeting on "The growth of domestic capital markets, particularly in developing countries, and its relationship with foreign portfolio investment"
Geneva, 27-29 May 1998
Item 2 of the provisional agenda

PROVISIONAL AGENDA AND ANNOTATIONS

I. Provisional Agenda

1. Election of officers

2. Adoption of the agenda

3. The growth of domestic capital markets, particularly in developing countries, and its relationship with foreign portfolio investment

4. Adoption of the outcome of the meeting.

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II. ANNOTATIONS TO THE PROVISIONAL AGENDA

Item 1: Election of officers

1. It is recommended that the Expert Meeting elect a Chairperson and a Vice-Chairperson-cum-Rapporteur.

Item 2: Adoption of the agenda

2. The provisional agenda for the Meeting is contained in section I above. The schedule of meetings for the three days is attached to the present document.

Documentation

TD/B/COM.2/EM.4/1	Provisional agenda and annotations

Item 3: The growth of domestic capital markets, particularly in developing countries, and its relationship with foreign portfolio investment

3. For consideration of this item, the Expert Meeting will have before it a report prepared by the UNCTAD secretariat entitled "The growth of domestic capital markets, particularly in developing countries, and its relationship with foreign portfolio investment: Issues for consideration". The report draws on the background staff paper: "Foreign portfolio investment: Implications for the growth of emerging capital markets" (UNCTAD/GDS/GFSB/3).

4. The issues to be considered are the following: (a) Portfolio investment in the context of structural changes in international financial markets. There is an increasing trend for capital flows to be channelled through securities market and portfolio investment is becoming an important source of external finance. The implications of this process for the international financial system, as well as for domestic market borrowers, will be discussed. (b) Capital market development and portfolio investment. Portfolio investment is attracted by a thriving corporate sector and by growing stock markets, and can contribute to further development of local securities markets. However, portfolio investment can also have a negative impact on capital market development through an increase in the volatility of asset prices and a boom-bust cycle of investment flows. (c) Markets and fundamentals: policy issues. In the context of worldwide liberalization of capital flows and ample liquidity in international capital markets, finance is more easily available, but at the same time more volatile. The deep financial crises in Mexico and East Asian countries are recent examples of the fickleness of capital flows, and especially of portfolio investment. What policy lessons can be drawn at the national and international level, in the light of these crises, to manage capital flows better, and portfolio investment in particular?

Documentation

TD/B/COM.2/EM.4/2	The growth of domestic capital markets, particularly in developing countries, and its relationship with foreign portfolio investment: Issues for consideration

Item 4 Adoption of the outcome of the Expert Meeting

5. The Expert Meeting will adopt its recommendations/findings/conclusions at the end of the Meeting. The final report will be compiled under the authority of the Chairperson after the conclusion of the Meeting.

EXPERT MEETING

Day 1	Day 2	Day 3
Morning Plenary: - Opening of Meeting - Election of officers - Adoption of agenda Followed by: Informals: Substantive item 3 (a) Portfolio investment in the context of structural changes in international financial markets	**Morning** Informals (continued): (b) Capital market development and portfolio investment	**Morning** Informals (continued): Consideration of outcome
Afternoon Informals (continued): (a) Portfolio investment in the context of structural changes in international financial markets	**Afternoon** Informals (continued): c) Markets and fundamentals: Policy issues	**Afternoon** Informals (continued): Consideration of outcome Plenary (closing): Adoption of outcome